

SENATE BILL REPORT

SB 6365

As of February 4, 2008

Title: An act relating to the collection and analysis of data concerning association health plans.

Brief Description: Studying association health plans.

Sponsors: Senators Marr, Keiser, Weinstein, Kauffman, Pridemore, Kohl-Welles, Rasmussen and Rockefeller.

Brief History:

Committee Activity: Health & Long-Term Care: 1/23/08.

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Staff: Mich'l Needham (786-7442)

Background: A number of associations, trusts, or member-governed groups purchase or sponsor insurance coverage for their members, known as association health plans. The Office of Insurance Commissioner has periodically gathered some enrollment data from insurance carriers that offer health benefit plans through association health plans. Data gathered for calendar year 2004 indicated total enrollment in association health plans was 247,643, and data gathered for calendar year 2006 indicated total enrollment was 517,345. Approximately 74 percent of the enrollment is concentrated in the state's two largest insurance carriers, Premera Blue Cross and Regence Blue Shield.

Summary of Bill: The Office of Insurance Commissioner (OIC) must routinely collect data from insurance carriers on their enrollment in health plans purchased through an association or member-governed group, known as association health plans. Data may include information on the number of people receiving insurance coverage through associations; whether the rating for small groups included in the plan uses claims data or health factors; demographic information on those enrolled; the average claims experience; eligibility requirements, underwriting criteria and coverage standards; the methodology for determining the cost of coverage; and other data required by the OIC.

The data must be submitted electronically, and is protected from public inspection and copying, to the extent that the documents contain actuarial formula, statistics, and assumptions for rate setting.

The Joint Legislative Audit and Review Committee must review and analyze the data gathered by the OIC, and report to the Legislature by December 15, 2008 and 2009, on association health plans and any impact they may have on the small group insurance market.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Appropriation: None.

Fiscal Note: Requested on January 15, 2008.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This will allow us to gather data and establish the facts to undertake an informed dialogue that can guide our policy thinking. At the moment, we don't have the factual information to have an informed dialogue, and this will just help us get information. The difficulty with some association health plans now is that they split the small group risk pool, and many use experience rating and select only the healthy and create adverse selection for the small group market. Some associations are large groups, and rate like large groups, and those are not the concern, it is the associations with numbers of small groups that are treating them all differently that raises some concern. Gathering the data will allow us to get a comprehensive look at the experience.

CON: Our association products are already under the scrutiny of the state. We are providing an important option to our membership that didn't exist a decade ago. The information gathered will be proprietary, and we don't want any of our business plans to be available to competitors. This is just a fishing expedition where no problem exists. Association health plans are a success, enrollment is growing and members are very happy with their current coverage. Look at the small group market instead, that is where the problem is. Some large group association products are treating all groups the same and have stability. Some were started to cover unique requirements, like the coverage needs for LEOFF I, and they would need to be evaluated before there was any disruption of the products. It may be helpful to study some of the wellness activities offered by large association products.

OTHER: Studying the association plans adds a regulatory burden, and creates new authority for the OIC that is a concern. OIC should just collect information on those association plans that are a concern, for those that include small groups, not large groups that treat all members the same.

Persons Testifying: PRO: Senator Marr, prime sponsor; Bill Daley, Washington Community Action Network.

CON: Patrick Connor, Washington State Farm Bureau; Ken Myer, Washington Software Association; Donna Steward, Association of Washington Business; Cliff Finch, Washington Alliance for Health Insurance Trust; Tammy Fellin, Association of Washington Cities; Mark Johnson, Washington Retail Association; Susan Pittman, Insurers Northwest Inc.; Sandra Powers Booth, Washington Association of Health Underwriters; Hugh Henderickson, Strategic Employee Benefit Services.

OTHER: Jeff Gombosky, Associated Industries of Spokane; Randy Parr, Washington Education Association.